

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 119977

O 101155Z JAN 75

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 8865

S E C R E T SECTION 1 OF 2 PHNOM PENH 577

EXDIS

FOR HABIB AND MURPHY FROM DEAN

E. O. 11652: GDS

TAGS: EAID, CB

SUBJECT: FAA CEILINGS- ECONOMIC AND PL 480

REF: (A) STATE 005531

1. WE VERY MUCH APPRECIATE YOUR EFFORTS TO OBTAIN RELIEF FROM THE ECONOMIC ASSISTANCE CEILING SET BY CONGRESS. WE ARE ALSO IN AGREEMENT THAT A BALANCED APPROACH BETWEEN RICE AND OTHER ELEMENTS OF THE ECONOMIC ASSISTANCE PACKAGE MUST BE MAINTAINED UNTIL THE CEILING IS RAISED BY THE CONGRESS. THE LEVEL OF RICE YOU PROPOSE FOR FY 75, HOWEVER, WILL NOT BE ADEQUATE TO MEET REQUIREMENTS. WE WILL REQUIRE A TOTAL OF 365,000 MT OF RICE DURING FY 75 RATHER THAN 314,000 TONS. THIS WILL MEAN RAISING THE CEILING BY DOLS 93.2 MILLION RATHER THAN THE DOLS 73 MILLION THAT YOU PROPOSE. THE OTHER CHANGE WE SUGGEST IS TO MORE CLEARLY EARMARK DOLS 20 MILLION FOR HUMANITARIAN ASSISTANCE RATHER THAN ALLOCATE DOLS 10 MILLION DIRECTLY FOR REFUGEES AND ATTRIBUTE THE BALANCE IN LOCAL CURRENCY FROM UNDER THE COMMODITY IMPORT PROGRAM.

2. WITH RESPECT TO RICE LEVELS, IN OUR VIEW ENOUGH RICE WILL HAVE TO BE PROVIDED DURING FY 75 IN ORDER TO MEET CONSUMPTION TO THE END OF DECEMBER 1975 WITH A ONE MONTH'S SECURITY STOCK ON HAND AT THAT TIME. THE 314,000 MT OF RICE WOULD, AS IS STATED IN YOUR MESSAGE, ONLY MEET CONSUMPTION REQUIREMENTS

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UNTIL THE BEGINNING OF NOVEMBER WITH A ONE MONTH RESERVE STOCK.

IN OTHER WORDS WE WOULD BE COMPLETELY OUT OF RICE BY THE END OF NOVEMBER. WE WISH TO STRESS SEVERAL POINTS:

(A) OUR EXPERIENCE OVER THE PAST THREE YEARS HAS BEEN THAT RICE SHIPMENTS FROM THE U.S. DO NOT REACH SAIGON UNTIL DECEMBER. SEVERAL WEEKS ARE THEN REQUIRED FOR IT TO BE MOVED FROM SAIGON TO PHNOM PENH. SUPPLIES FROM THE PREVIOUS FISCAL YEAR ARE THEREFORE REQUIRED TO MEET DECEMBER REQUIREMENTS. FURTHER WE NEED AT LEAST A ONE MONTH STOCK TO HEDGE AGAINST INTERDICTION OF THE MEKONG. THIS IS PARTICULARLY PROMINENT IN OUR MINDS NOW AS WE FACE A VERY SERIOUS POTENTIAL THREAT TO THE MEKONG LIFELINE.

(B) IN THE PAST WE HAVE BEEN LOANED RICE FROM VIETNAM TO MEET OUR RICE NEEDS DURING NOVEMBER AND DECEMBER. IF OUR INFORMATION IS CORRECT, IT WILL NOT BE POSSIBLE TO BORROW RICE FROM THE GVN NEXT YEAR. FIRST WE UNDERSTAND THAT THE GVN WILL NOT RECEIVE MUCH PL 480 RICE THIS YEAR AND WHAT IS RECEIVED WILL MOST LIKELY BE CONSUMED BY LATE FALL. SECONDLY WE UNDERSTAND THAT DOMESTIC DELIVERIES FROM THE DELTA WILL BE LOWER THAN EARLIER PROJECTED. IT IS LIKELY THEREFORE THAT GVN STOCKS OF RICE WILL BE TOO LOW TO PERMIT ANY LOAN OF RICE TO THE GKR LATE NEXT YEAR.

(C) OUR PROJECTIONS ARE BASED UPON A CONSUMPTION LEVEL OF ONLY 25,000 MT PER MONTH. THERE IS A STRONG POSSIBILITY THAT RICE CONSUMPTION WILL GROW AS DOMESTIC RICE AVAILABILITY PROMISES TO BE CONSIDERABLY LOWER THAN LAST YEAR AND THE INFLUX OF REFUGEES HAS INCREASED DURING THIS DRY SEASON.

3. IN ORDER TO KEEP THE RECORD CLEAR WITH REGARD TO THE REAL LEVELS OF HUMANITARIAN AID, WE PROPOSE THAT THE SYSTEM WHEREBY WE PROVIDE LOCAL CURRENCY FOR THE RELIEF PROGRAM FOR WAR DISPLACED PERSONS BE CHANGED. IN THE PAST WE HAVE PROVIDED LOCAL CURRENCY FROM COUNTERPART GENERATIONS, THE DOLLARS BEING USED AS PART OF THE CIP. WE HAVE NOTED INCREASINGLY THAT THIS CREATES BOTH CONFUSION AND SKEPTICISM AMONG PROFESSIONAL MEMBERS OF CONGRESSIONAL COMMITTEES AS WELL AS THE CONGRESS ITSELF. WE CONCLUDE THAT DOLLARS SHOULD BE USED DIRECTLY TO BUY LOCAL CURRENCY NEEDED FOR HUMANITARIAN ASSISTANCE. THE DOLLARS USED TO PURCHASE THE LOCAL CURRENCY WILL BE PLACED IN A SPECIAL ACCOUNT IN THE NATIONAL BANK SUBJECT TO JOINT USG-GKR CONTROL. THE DOLLARS USED FOR HUMANITARIAN ASSISTANCE WILL BE USED TO

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BUY EQUIPMENT FOR THE REFUGEES AS WELL AS CRITICALLY NEEDED IMPORTED COMMODITIES. THESE DOLLARS WILL REPLACE DOLLARS NOW USED UNDER THE CIP. THE NET ECONOMIC EFFORT WILL BE THE SAME, HOWEVER, WE WILL ACHIEVE A MORE STRAIGHTFORWARD CLEAR RELATIONSHIPS BETWEEN OUR APPROPRIATION REQUEST AND OUR PROGRAM FOR REFUGEE RELIEF. WE ALSO WILL BE BETTER ABLE TO CONTROL THE FLOW OF LOCAL CURRENCY SO THAT WE HAVE IT WHEN WE NEED IT, WHICH HAS BEEN A PROBLEM IN THE RECENT PAST. THE PROCEDURE

FOR THE USE OF THE DOLLARS WOULD BE A SPECIAL LETTER OF CREDIT, TIED TO U.S. PROCUREMENT AND WOULD GIVE US AN ADDITIONAL ELEMENT OF PROGRAM FLEXIBILITY IN WHAT HAS BECOME A RAPIDLY CHANGING SITUATION.

4. THE FOREGOING CONSTITUTES THE MORE SUBSTANTIVE PART OF THIS MESSAGE.

THERE FOLLOWS TECHNICAL INFORMATION AND DATA, PRIMARILY FOR AID.

IN ORDER TO PROVIDE FOR 365,000 MT OF RICE AS WELL AS EARMARK MORE CLEARLY HUMANITARIAN ASSISTANCE FUNDS WE SUGGEST THE FOLLOWING FY 75 LEVELS:

IPR	DOLS MILLIONS	
CIP	65.0	
TRANSPORT OF FOOD	(32.1)	
POL	(21.6)	
INFRASTRUCTURE AND LOGISTICS	(5.5)	
FERTILIZER FREIGHT	(1.0)	
GENERAL LICENSING	(4.8)	
ESF	13.1	
HUMANITARIAN ASSISTANCE	20.0	
MOB/TS	1.9	
TOTAL IPR	100.0	
PL 480		
RICE(365,000 MT)	154.6	
WHEAT(20,000 MT)	3.5	
USDA RICE FREIGHT	9.6	
USDA WHEAT FREIGHT	1.5	
TITLE II	1.0	
TOTAL PL 480	170.2	
TOTAL IPR PLUS PL 480	270.2	
LESS PRESENT CEILING	177.0	
ADDITIONAL LEVEL REQUIRED	93.2	

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5. IN SUMMARY WE PROPOSE THE FOLLOWING ACTIONS:

(A) RAISE PROPOSED CEILING BY DOLS 93.2 MILLION TO TOTAL DOLS 270.2 MILLION IN ORDER TO PROVIDE FOR 365,000 MT OF RICE.

(B) DO NOT CHANGE ACTIONS PROPOSED PARA 6 REFTTEL; HOWEVER, WHEN CEILING RAISED, WE PROPOSED THAT DOLS 10.0 MILLION BE ADDED TO HUAMANTARIAN ASSISTANCE, DOLS 2.2 MILLION BE ADDED TO THE CIP, DOLS 3 MILLION FOR THE ESF, AND DOLS .3 MILLION BE ADDED TO MOB/TS. THIS WILL BRING OUR VARIOUS IPR PROGRAM ELEMENTS IN LINE WITH THE LEVELS PROPOSED IN PARAGRAPH 4 ABOVE.

(C) IN THE MEANWHILE WE WILL REQUIRE APPROVAL OF THE CONCEPT OUTLINED IN PARAGRAPH 3 ABOVE CONCERNING THE HUMANITARIAN ASSISTANCE PROGRAM.

6. FOLLOWING IS THE BASIS FOR OUR CALCULATIONS OUTLINED IN PARAGRAPH 4 ABOVE;

(A) RICE LEVELS- WE ARE BASING OUR RICE REQUIREMENT ON THE  
FOLLOWING RICE PROJECTION:

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 120349

O 101155Z JAN 75

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 8866

S E C R E T SECTION 2 OF 2 PHNOM PENH 577

EXDIS

FOR HABIB AND MURPHY FROM DEAN

TOTAL RICE ALLO-

CATION OF JAN. FEB MAR. APR. MAY. JUNE

365,000 MT

BEGIN STOCK	38.9	53.9	41.9	44.9	31.9	46.9
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ARRIVALS	40.0	13.0	28.0	12.0	40.0	50.0
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TOTAL

AVAILABLE	78.9	66.9	69.9	56.9	71.9	96.9
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LESS

CONSUMPTION	25.0	25.0	25.0	25.0	25.0	25.0
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END STOCK	53.9	41.9	44.9	31.9	46.9	71.9
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JULY AUG SEP OCT NOV DEC

BEGIN STOCK	71.9	96.9	126.7	101.7	76.7	51.7
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ARRIVALS	50.0	54.8	-	-	-	-
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TOTAL

AVAILABLE	121.9	151.7	126.7	101.7	76.7	51.7
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LESS

CONSUMPTION	25.0	25.0	25.0	25.0	25.0	25.0
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END STOCK	96.9	126.7	101.7	76.7	51.7	26.7
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B. CIP- THE LEVELS PROJECTED IN PARA 4 INCLUDE ONLY NOA. THE  
FOLLOWING IS A LICENSING PROJECTION BASED UPON DOLS 65.0 NOA  
AS WELL AS DOLS 2.8 MILLION CARRY-IN AND DOLS 3.3 MILLION  
RECOVERIES.

JUNE-DEC JAN-JULY

AVAILABLE NOA	31.0	34.0
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CARRY-IN	2.8	6.3
RECOVERIES	2.9	.4
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TOTAL	36.7	40.7
LICENSING		
GENERAL	3.8	4.8
(U.S.)	(3.1)	(3.9)
(941)	(.7)	(.9)
LOGISTICS AND INFRASTRUCTURE	3.3	2.2
FREIGHT	12.8	19.3
FERTILIZER	2.7	-
TOTAL	30.4	40.1
CARRY-OUT	6.3	.6

## C. PL480 COMMODITY COSTS

RICE 209,000MT EQUALS DOLS 88.5 MILLION OR DOLS 423.44 PER MT (SEE REFTEL REFTEL) RICE 156,000 MT EQUALS DOLS 66.1 MILLION OR DOLS 423.80

PER MT (SEE REFTEL)

WHEAT 20,000 MT EQUALS DOLS 3.5 MILLION OR DOLS 176.47 PER MT (SEE REFTEL).

NOTE THAT WE HAVE REDUCED THE PROPOSED WHEAT LEVEL FROM 34,000 MT TO 20,000MT AS THIS IS ALL THAT WE BELIEVE WILL BE SHIPPED BEFORE THE END OF FY 75.

D. PL 480 FREIGHT-IPR COSTS 209,000 MT OF RICE BASED UPON DOLS 20.4 MILLION PER REFTEL, BALANCE OF 156,000 MT REQUIRED BASED UPON DOLS 5.8 MILLION FOR 50PERCENT U.S.-SAIGON FREIGHT AT DOLS 75 PER TON AND FROM SAIGON TO PHNOM PENH DOLS 5.1 MILLION OR DOLS 33 PER MT FOR TOTAL 156,000 MT. WHEAT DOLS .8 MILLION BASED ONLY ON SAIGON TO PHNOM PENH FOR 20,000 MT AT DOLS 38 PER MT. USDA CONTRIBUTION TOWARDS 209,000 MT RICE AT DOLS 3.0 MILLION PER REFTEL. BALANCE OF 156,000 OT OF RICE REQUIRED BASED UPON DOLS 6.6 MILLION FOR 50 PERCENT OF U.S.-SAIGON FREIGHT AT DOLS85 PER MT. FOR WHEAT WE ASSUME USDA WILL PICK UP TOTAL 20,000 MT ON U.S. FLAG SHIPS FROM UOKSUUAKA. TO SAIGON AT DOLS 75 PER MT BULK. CALCULATIONS REFTEL FOR WHEAT WERE MOST LIKELY BASED UPON THROUGH BILL OF LADING RATES WITH TRANSSHIPMENT AT SINGAPORE OR HONG KONG.

E. HUMANTARIAN ASSISTANCE- AS WE NOW PROJECT OF DOLS 20 MILLION LEVEL PROPOSED FOR FY 75, APPROXIMATELY DOLS 2.5 MILLION WILL BE REQUIRED FOR VOLUNTARY AGENCY GRANTS AND ADMINISTRATION COSTS, DOLS 5 TO 6.5 MILLION WILL BE FOR PROCUREMENT OF REFUGEE SUPPLIES WITH DOLLARS AND DOLS 11.0 TO DOLS 12.5 MILLION WOULD BE USED FOR PURCHASE OF LOCAL CURRENCY.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PL 480, ECONOMIC ASSISTANCE, DATA, FOREIGN ASSISTANCE ACT, US CONGRESSIONAL HEARINGS, FOREIGN ASSISTANCE APPROPRIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 JAN 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JUL 2003 by CunninFX>; APPROVED <12 NOV 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FAA CEILINGS- ECONOMIC AND PL 480  
**TAGS:** EAID, CB, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006